



REPORT OF THE COMMISSION STAFF

THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 2001-137-W

A. D. HARE WATERWORKS, INC.

REPORT OF THE AUDIT DEPARTMENT

THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

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REPORT OF THE AUDIT DEPARTMENT
THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
DOCKET NO. 2001-137-W
A. D. HARE WATERWORKS, INC.

SYNOPSIS

Amount Requested-----	\$54,471
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Operating Margin

Per Books-----	0.61%
After Accounting and Pro Forma Adjustments-----	(5.04)%
After Proposed Increase-----	18.84%

REPORT OF THE AUDIT DEPARTMENT
THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
DOCKET NO. 2001-137-W
A. D. HARE WATERWORKS, INC.

ANALYSIS

The Audit Department Staff has made a review of the application of A. D. Hare Waterworks, Inc. (hereinafter referred to as the Company) along with certain of its accounting records, relative to the Company's application to increase certain of its rates and charges under Docket No. 2001-137-W.

The Company is a water utility operating in the State of South Carolina. The Company furnishes water service to residential customers in Berkeley County. The Company's home office is located in Pinopolis, South Carolina, and its general address is given as Post Office Box 122, Pinopolis, South Carolina 29469-0122.

The following is a summary of the Company's most recent rate requests before this Commission:

Date of Order	Effective Date	Docket Number	Amount Requested	Amount Granted	Operating Margin
05/08/92	05/08/92	90-621-W	\$50,126	\$19,889	8.26%
12/17/86	12/17/86	86-25-W	\$20,591	\$20,591	None

In its present application, the Company requested additional revenues of \$54,471. Staff calculated the requested revenues to be \$54,471.

The operating margin, after accounting and pro forma adjustments, was computed by the Staff to be (\$5.04)%. This operating margin increases to 18.84% after the proposed increase of \$54,471.

Rate of Return on Common Equity was computed by the Staff to be (7.60)% after the effect of accounting and pro forma adjustments. Such rate of return increased to 38.76% after revenues were adjusted for the proposed increase of \$54,471. In computing the return on common equity, the Staff utilized the Company's capital structure as of December 31, 2000 in order to allocate the rate base to the respective classes of capital.

The Staff's exhibits relative to the Company's application are as follows:

EXHIBIT A: OPERATING EXPERIENCE, RATE BASE AND OPERATING MARGIN.

Detailed in this Staff exhibit are the Company's Operating Experience, Rate Base and Operating Margin for the test year ended December 31, 2000, the accounting and pro forma adjustments which are necessary to correct or normalize the Company's test year operations and the Company's normalized operations, both before and after the effect of the requested increase.

Utilizing a rate base of \$155,209 and per book income of \$8,128, the Staff computed an operating margin of 0.61%. Pro forma adjustments decreased income and decreased rate base resulting in an operating loss of \$(3,919) and a rate base of \$138,112, as adjusted. The operating margin computed by the Staff after accounting and pro forma adjustments was (5.04) %. After the Staff adjusted operating loss for the proposed increase of \$54,471, net of taxes and other expenses, plus growth, operating income

increased to \$42,119 while rate base remained \$138,112. The operating margin computed by the Staff after the adjustments for the proposed increase is 18.84%.

**EXHIBIT A-1: EXPLANATION OF ACCOUNTING AND PRO FORMA
ADJUSTMENTS**

Detailed in this Staff exhibit are the accounting and pro forma adjustments and each adjustment made necessary as a result of the proposed increase.

EXHIBIT A-2: CUSTOMER GROWTH COMPUTATION

The Staff's computation of the Company's customer growth factor during the test year is shown in this exhibit. The Staff computed a growth factor of 2.64%, based on customers as of December 31, 2001. The Staff used the number of customers as of December 31, 2001 since some adjustments were made based on changes that took place after the test year ended. The growth factor was applied to net operating income on Exhibit A when applicable.

**EXHIBIT A-3: COMPUTATION OF CASH WORKING CAPITAL
ALLOWANCE**

Detailed in this Staff exhibit is the calculation of cash working capital on per book and corrected per book operations at December 31, 2000. The Staff utilized a forty-five day cash working capital allowance, which is consistent with past rate cases involving other water companies.

EXHIBIT A-4: RECONCILIATION OF TOTAL INCOME FOR RETURN

This exhibit details the differences between the Company's filing and the Staff's presentation of financial data leading to total income for return.

EXHIBIT A-5: RECONCILIATION OF RATE BASE

This exhibit details the differences between the Company's filing and the Staff's presentation of financial data leading to the rate base contained on Exhibit A.

EXHIBIT A-6: RETURN ON COMMON EQUITY

The Company's return on common equity is computed both before and after the requested increase. The rate base, as shown on Exhibit A, is allocated among the various classes of debt and equity according to the respective ratios as computed using the company's capital structure as of December 31, 2000. The amount of total income for return necessary to cover embedded cost rates on long term debt was computed to be \$3,630. The remainder of total income for return is income to common equity. Such remainder produces a negative return of (7.60) % to common equity before the requested increase. After the requested increase of \$54,471, income available to common equity increases to \$38,489 and return on common equity increases to 38.76%.

EXHIBIT A-7: INCOME STATEMENT

Staff, in this exhibit, has presented the Company's Income Statement for the test year ended December 31, 2000.

EXHIBIT A-8: BALANCE SHEET

The Staff presents in this exhibit the Company's Balance Sheet as of December 31, 2000.

A. D. Hare Waterworks Inc.
Operating Experience, Rate Base and Operating Margin
Test Year Ended December 31, 2000

Description	(1) Per Books \$	(2) Acctg. & Pro Forma Adjust. \$	(3) Adj. No. As Adjusted \$	(4) Proposed Increase	(5) Adj. No. Effect of Proposed Increase
<u>Operating Revenues</u>					
Water Revenue	147,410	123	(1) 147,533	50,411	(17) 197,944
Other Revenue	8,000	(8,000)	(2) 0	0	0
Tap Fees	3,900	(3,900)	(3) 0	0	0
Reconnection Fees	1,080	0	1,080	0	1,080
New Customer Charge	1,160	0	1,160	0	1,160
Other Charges (DHEC Fees)	8,903	(8,903)	(4) 0	0	0
Basic Facilities Charge	0	0	0	4,060	(18) 4,060
<u>Total Operating Revenues</u>	<u>170,453</u>	<u>(20,680)</u>	<u>149,773</u>	<u>54,471</u>	<u>204,244</u>
<u>Operating Expenses</u>					
Operation Expense	95,004	2,867	(5) 97,871	0	97,871
Maintenance Expense	43,615	(5,925)	(6) 37,690	0	37,690
Depreciation Expense	10,240	(87)	(7) 10,153	0	10,153
Assessment Taxes (DHEC)	8,029	(8,029)	(8) 0	0	0
Taxes - Other than Income	8,056	1,648	(9) 9,704	599	(19) 10,303
Other Revenues and Expenses (Net)	(2,410)	(100)	(10) (2,510)	0	(2,510)
Income Taxes - State and Federal			0	8,917	(20) 8,917
Interest on Customer Deposits	0	784	(11) 784	0	784
<u>Total Operating Expenses</u>	<u>162,534</u>	<u>(8,842)</u>	<u>153,692</u>	<u>9,516</u>	<u>163,208</u>
Net Operating Income (Loss)	7,919	(11,838)	(3,919)	44,955	41,036
Customer Growth (See Exhibit A-2)	209	(209)	A-2 0	1,083	(21) 1,083
<u>Net Income (Loss) For Return</u>	<u>8,128</u>	<u>(12,047)</u>	<u>(3,919)</u>	<u>46,038</u>	<u>42,119</u>
<u>Rate Base</u>					
Gross Utility Plant in Service	267,678	57,871	(12) 325,549	0	325,549
Less: Accumulated Depreciation	(123,084)	(28,098)	(13) (151,182)	0	(151,182)
Net Plant in Service	144,594	29,773	174,367	0	174,367
Cash Working Capital (See Exhibit A-3)	17,327	(922)	(14) 16,405	0	16,405
Materials and Supplies	3,088	0	3,088	0	3,088
Customer Deposits	(9,800)	(784)	(15) (10,584)	0	(10,584)
Contributions in Aid of Construction	0	(45,164)	(16) (45,164)	0	(45,164)
<u>Total Rate Base</u>	<u>155,209</u>	<u>(17,097)</u>	<u>138,112</u>	<u>0</u>	<u>138,112</u>
<u>Operating Margin</u>	<u>0.61%</u>		<u>-5.04%</u>		<u>18.84%</u>
<u>Interest For Operating Margin</u>	<u>7,094</u>		<u>3,630</u>		<u>3,630</u>

A. D. Hare Waterworks, Inc.
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended December 31, 2000

Description	(1) Water Revenue	(2) Other Revenue	(3) Tap Fees	(4) DHEC Fees	(5) Oper. Expense	(6) Main. Expense	(7) Deprec. Expense	(8) DHEC Assess.	(9) Taxes Oth Than Inc.	(10) & Other Rev.	(11) Int. on Cust. Dep.	(12) Plant in Service	(13) Accum. Deprec.	(14) Cash Wkg. Capital	(15) Customer Deposits	(16) Contr. In Aid Constr.
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

(1) Both the Staff and the Company propose to adjust revenues based on average number of customers and total volume consumption during the test year. (U)

Per Staff 123
Per Company 123

(2) The Staff and the Company both propose to lower revenues for loan receipts which were recorded as ordinary revenue in error. (U)

Per Staff 0 (8,000)
Per Company 0 (8,000)

(3) The Staff and the Company propose to remove tap fees from revenue and to remove an equal amount from expenses since the cost of the tap is equal to the tap fee. Such fees are more properly shown as a deduction to plant since the fees represent funds supplied by the ratepayer. (A & U)

Per Staff 0 0 (3,900)
Per Company 0 0 (3,900) (3,900)

(4) The Staff and the Company propose to remove revenues associated with DHEC required recoupment fees from the case. The Staff and Company also propose to remove DHEC fees from expenses. These fees are required to be passed on to customers as a separate line item on the utility bill. Such fees come under the jurisdiction of DHEC. (A & U)

Per Staff (8,903) (8,029)
Per Company (8,903) (8,029)

(5) The Staff and the Company both propose to book plant in service, accumulated depreciation, and contributions in aid of construction associated with tap fees collected by the Company since its inception. (A & U)

Per Staff 57,871 (28,185) (45,164)
Per Company 23,295 4,551 (43,324)

$$\begin{pmatrix} 100 \\ 100 \end{pmatrix}$$

A. D. Hare Waterworks, Inc.
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended December 31, 2000

Description	(1) Water Revenue	(2) Other Revenue	(3) Tap Fees	(4) DHEC Fees	(5) Oper. Expense	(6) Main. Expense	(7) Deprec. Expense	(8) Assess. DHEC	(9) Taxes Oth Than Inc. & Expense	(10) Other Rev.	(11) Int. on Cust. Dep.	(12) Plant in Service	(13) Accum. Deprec.	(14) Cash Wkg. Capital	(15) Customer Deposits	(16) Constr. In Aid Constr.
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

(12) The Staff proposes to allocate a portion of telephone expenses to personal use. Such cost was found as a result of an analysis of the Company's telephone bills. (A)
Per Staff (164)
Per Company 0

(13) The Company and the Staff propose to annualize salaries and payroll taxes. Staff used the most recent payroll to annualize such costs. (A)
Per Staff 3,911
Per Company 3,861

(14) The Staff and the Company propose to adjust cash working capital for items which correct the books based on the one-eighth (1/8) rate normally used for water companies. Such formula is felt to allow the Company enough cash to operate on an ongoing basis. The Company used its accounting and pro forma adjustments in its calculation. (A)
Per Staff (922)
Per Company 133

(15) The Staff proposes to remove gasoline expense which was used for personal use. Such cost was found during Staff's review of gasoline purchases. (A)
Per Staff (2,025)
Per Company 0

Total Accounting and Pro Forma	123	(8,000)	(3,900)	(8,903)	2,867	(5,925)	(87)	(8,029)	1,648	(100)	784	57,871	(28,098)	(922)	(784)	(45,164)
Adjustments - Per Staff	123	(8,000)	(3,900)	(8,903)	4,961	(3,900)	2,308	(8,029)	1,648	(100)	1,176	23,295	2,243	133	(1,176)	(43,324)
Per Company																

(A) Audit Department has primary responsibility for adjustment.
(U) Utilities Department has primary responsibility for adjustment.

A. D. Hare Waterworks, Inc.
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended December 31, 2000

Proposed Increase Description	(17) Water Revenue	(18) Basic Facilities Charge	(19) Other Taxes	(20) Income Taxes	(21) Customer Growth
	\$	\$	\$	\$	\$
(16) The Staff and the Company propose to include the effects of the proposed increase on monthly service fees. (U)					
Per Staff	50,411				
Per Company	50,411				
(17) The Staff and the Company propose to include the effects of the proposed increase on the basic facilities charge. (U)					
Per Staff		4,060			
Per Company		4,060			
(18) The Staff and the Company propose to include the effect of the proposed increase on gross receipts taxes. The current gross receipts tax rate was used by Staff to calculate this expense adjustment. (A)					
Per Staff			599		
Per Company			599		
(19) The Staff and the Company propose to include the effect of the proposed increase on income taxes. Staff used a composite income tax rate of 19.25% in determining income tax expense on the proposed increase. (A)					
Per Staff				8,917	
Per Company				6,972	
(20) The Staff and the Company propose to compute customer growth as a result of the proposed increase. Staff utilized beginning and ending customer levels to calculate the customer growth rate. Such calculation is detailed in Staff's Exhibit A-2. (U & A)					
Per Staff					1,083
Per Company					535
Total Accounting and Pro Forma Adjustments - Proposed Increase -					
Per Staff	50,411	4,060	599	8,917	1,083
Per Company	50,411	4,060	599	6,972	535

A. D. Hare Waterworks, Inc.
Customer Growth
Test Year Ended December 31, 2000

	(1)	(2)	(3)	(4)	(5)
	Per	Acctg &	As	Proposed	After
	Books	Pro Forma	Adjusted	Increase	Proposed
		Adjustments			Increase
	\$	\$	\$	\$	\$
Net Operating Income	7,919	(11,838)	(3,919)	44,955	41,036
Growth Factor	2.64%	2.64%	2.64%	2.64%	2.64%
<u>Customer Growth</u>	<u>209</u>	<u>(209) *</u>	<u>0</u>	<u>1,083</u>	<u>1,083</u>

Formula:

$$\text{Customer Growth} = \frac{(\text{Ending Customers} - \text{Average Customers})}{\text{Average Customers}}$$

$$\text{Customer Growth} = \frac{(622 - 606)}{606}$$

$$\text{Customer Growth} = 2.64\%$$

Beginning Customers @ 1-01-00	590
Ending Customers @ 12-31-01	622
Average Customers	606

*The Staff does not recognize negative growth.

A. D. Hare Waterworks, Inc.
 Computation of Cash Working Capital Allowance
 Test Year Ended December 31, 2000

	(1) Per Books \$	(2) Correcting Adjustments \$	(3) Corrected Per Books \$
Operation Expense	95,004	(1,457)	93,547
Maintenance Expense	43,615	(5,925)	37,690
	0	0	0
Total Cash Working Capital	138,619	(7,382)	131,237
Rate	0.125	0.125	0.125
Cash Working Capital Allowance	17,327	(922)	16,405

A.D. Hare Waterworks, Inc.
 Reconciliation of Net Income Per Return
 Test Year Ended December 31, 2000

	(1) Per Books \$	(2) As Adjusted \$	(3) After Increase \$
<u>Net Income for Return Per Company's Exhibit A</u>	825	(17,652)	29,783
<u>Adjustments Per Staff Exhibit A-1</u>			
Customer Growth - Company	0	0	(535)
Customer Growth - Staff	209	0	1,083
Interest on Debt- Company	7,094	6,827	
Operating Expenses - Company		4,961	
Operating Expenses - Staff		(2,867)	
Maintenance Expenses - Company		(3,900)	
Maintenance Expenses - Staff		5,925	
Depreciation - Company		2,308	
Depreciation - Staff		87	
Interest on Customers Deposits - Company		1,176	
Interest on Customers Deposits - Staff		(784)	
Income Taxes on Increase- Company			6,972
Income Taxes on Increase- Staff			(8,917)
Net Adjustments to Company's Application - As Adjusted Per Below			13,733
<u>Net Adjustments to Company's Application</u>	<u>7,303</u>	<u>13,733</u>	<u>12,336</u>
<u>Total Net Operating Income Per Return Per Staff Exhibit A</u>	<u>8,128</u>	<u>(3,919)</u>	<u>42,119</u>

A.D. Hare Waterworks, Inc.
 Reconciliation of Rate Base
 Test Year Ended December 31, 2000

	(1) Per Books	(2) As Adjusted	(3) After Increase
	\$	\$	\$
<u>Rate Base Per Company's Exhibit A</u>	155,209	136,380	136,380
<u>Total Adjustments Per Staff Exhibit A-1</u>			
Plant in Service - Company		(23,295)	(23,295)
Plant in Service - Staff		57,871	57,871
Accumulated Depreciation - Company		(2,243)	(2,243)
Accumulated Depreciation - Staff		(28,098)	(28,098)
Cash Working Capital - Company		(133)	(133)
Cash Working Capital - Staff		(922)	(922)
Customer Deposits - Company		1,176	1,176
Customer Deposits - Staff		(784)	(784)
CIAC - Company		43,324	43,324
CIAC - Staff		(45,164)	(45,164)
<u>Net Adjustments to Company's Application</u>	0	1,732	1,732
<u>Total Rate Base Per Staff Exhibit A</u>	155,209	138,112	138,112

A. D. Hare Waterworks Inc.
Return on Common Equity
Test Year Ended December 31, 2000

Description	(1) Capital Structure*	(2) Ratio %	(3) Rate Base	As Adjusted			After Increase			(10) Income For Return
				(4) Embedded Cost/Return	(5) Overall Cost/Return	(6) Income For Return	(7) Rate Base	(8) Embedded Cost/Return	(9) Overall Cost/Return	
	\$		\$	%	%	\$	\$	%	%	\$
Long Term Debt	33,622	28.11%	38,823	9.35%	2.63%	3,630	38,823	9.35%	2.63%	3,630
Common Equity	86,005	71.89%	99,289	-7.60%	-5.47%	(7,549)	99,289	38.76%	27.87%	38,489
	119,627	100.00%	138,112		-2.84%	(3,919)	138,112		30.50%	42,119

* Company Capital Structure as of December 31, 2000.

A. D. Hare Waterworks, Inc.
Income Statement
Test Year Ended December 31, 2000

<u>OPERATING REVENUE</u>	\$
Water	166,553
Tap Fees	3,900
<u>Total Operating Revenue</u>	<u>170,453</u>
<u>OPERATING EXPENSES</u>	
Operation Expense	95,004
Maintenance Expense	43,616
Depreciation Expense	10,240
Utility Regulatory Assessment Fees	8,029
Property Taxes	8
Payroll Taxes	6,950
Other Taxes & Licenses	1,098
	<u>7,094</u>
<u>Total Operating Expenses</u>	<u>172,039</u>
Income (Loss) Before Other Income and Expenses	<u>(1,586)</u>
<u>OTHER INCOME AND EXPENSES</u>	
Interest Income	170
Rental Income - Equipment	2,340
Contributions	(100)
Total Other Income & Expense	<u>2,410</u>
Net Profit or (Loss)	<u>824</u>

A. D. Hare Waterworks, Inc.
Balance Sheet
Year Ended December 31, 2000

ASSETS

Plant in Service	267,678	
Less: Accumulated Depreciation	<u>(124,091)</u>	
Total Plant in Service		143,587

CURRENT ASSETS

Cash	8,368	
Accounts Receivable - Customer	16,007	
Accounts Receivable - Others	1,865	
Materials & Supplies	<u>1,361</u>	
Total Current Assets		<u>27,601</u>

TOTAL ASSETS**171,188****LIABILITIES AND STOCKHOLDERS' EQUITY**

Stockholders' Equity		
Common Stock	87,500	
Other Paid in Capital	14,008	
Retained Earnings	<u>(15,503)</u>	
Total Stockholders' Equity		86,005

NONCURRENT LIABILITIES

Long-Term Debt		33,622
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CURRENT AND ACCRUED LIABILITIES

Accounts Payable	37,083	
Customer Deposits	9,800	
Accrued Taxes	1,871	
Accrued Interest	2,808	
Rounding	<u>(1)</u>	
Total Current Liabilities		51,561

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY**171,188**

**REPORT OF THE
UTILITIES DEPARTMENT
PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

A. D. HARE WATERWORKS, INC.

DOCKET NO. 2001-137-W

INDEX

Present and Proposed Rates and Charges
With Summary
EXHIBIT NO. 1 -----

Effect of Proposed Rates and Charges on
Operating Revenue
EXHIBIT NO. 2 -----

Effect of Proposed Rates and Charges on
Customer's Monthly Bill
EXHIBIT NO. 3 -----

Utilities Department
Business Office Compliance Review Report
EXHIBIT NO. 4-----

Review of Service Provided by the Company
EXHIBIT NO. 5-----

**UTILITIES DEPARTMENT
EXHIBIT NO. 1**

A. D. Hare Waterworks, Inc. is operating under rates and charges approved by Commission Order No. 92-318, issued May 8, 1992, in Docket No. 90-621-W. The Appendix A was amended on June 3, 1992 in Order No. 92-412 to include monthly commercial rates.

SUMMARY OF PRESENT AND PROPOSED RATES

CUSTOMER Res & Com	PRESENT RATE	PROPOSED RATE	AMOUNT OF INCREASE	PERCENT INCREASE
Basic Facilities Chg.	\$8.00	\$9.95	\$1.95	24.4%
Commodity Charge	\$2.10	\$2.95	\$0.85	40.5%
New Customer Charge	\$20.00	\$20.00	\$0.00	00.0%
Reconnection Charge	\$30.00	\$30.00	\$0.00	00.0%
Tap Fee	\$300.00	\$500.00	\$200.00	66.7%

**UTILITIES DEPARTMENT
EXHIBIT NO. 2**

EFFECT OF PROPOSED INCREASE ON OPERATING REVENUE

Utilities Department Exhibit No. 2 shows the effect of the proposed increase on the Company's operating revenue. The requested rates will produce \$50,411 in additional revenue which is an increase of 34.2%. With the inclusion of the 34 new BFC's, the total increase in service revenues will be \$54,471 or 36.9%.

	test year \$	adjust \$	t/y after adjustment \$	proposed increase \$	revenue after increase \$	% increase
Service Revenue	147,410	123 (1)	147,533	50,411 (2)	197,944	34.2
New BFC's				4,060 (3)	4,060	
Total revenues	147,410	123 (1)	147,533	54,471 (4)	202,004	36.9

- (1) To adjust revenues based on total volume consumption during the test year \$123.
- (2) To add to the adjusted revenues the proposed increase for the test year.
- (3) To add 34 customers who are already receiving water through someone else's meter but not paying the basic facilities charge (34) (9.95) (12) = \$4059.60.
- (4) Total proposed increase in service revenues.

**UTILITIES DEPARTMENT
EXHIBIT NO. 3**

EFFECT OF PROPOSED INCREASE ON CUSTOMER'S MONTHLY BILL

Utilities Department Exhibit No. 3 shows the effect of the proposed rates and charges on the residential and commercial customer's average monthly bill (using 5,916 gallons per month). The requested increase in a residential and commercial customer's average bill will be \$6.98 or 34.2%.

**EFFECT OF PROPOSED INCREASE ON MONTHLY CUSTOMER BILL
RESIDENTIAL AND COMMERCIAL**

CUSTOMER (RES & COM)	PRESENT BILL	PROPOSED BILL	AMOUNT OF INCREASE	PERCENT INCREASE
Average usage 5,916 gals/mo	\$20.42	\$27.40	\$6.98	34.2%

**UTILITIES DEPARTMENT
EXHIBIT NO. 4**

BUSINESS OFFICE COMPLIANCE REVIEW REPORT

UTILITY: A. D. Hare Waterworks, Inc.

INSPECTOR: W. Richardson

OFFICE: P. O. Box 122, Pinopolis, SC 29469

DATE: May 23, 2002

COMPANY REPRESENTATIVE: Mrs. April Sweat
IN COMPLIANCE
YES OR NO*

YES 1. Are all records and reports available for examination in accordance with Rule R.103-710 and R.103-510?

YES 2. Are complaint records maintained in accordance with Rule R.103-716 and R.103-516?

YES 3. Are the utility's rates, its rules and regulations, and its up-to-date maps and plans available for public inspection in accordance with Rule R.103-730 and R.103-530?

YES 4. Are procedures established to assure that every customer making a complaint is made aware that the utility is under the jurisdiction of the Public Service Commission of South Carolina and that the customer has the right to register the complaint in accordance with Rule R.103-730 and R.103-530?

YES 5. Are deposits charged within the limits established by Rule R.103-731 and R.103-531?

YES 6. Are timely and accurate bills being rendered to customers in accordance with Rule R.103-733 and R.103-532?

YES 7. Are bill forms in accordance with Rule R.103-732 and R.103-532?

YES 8. Are adjustments of bills handled in accordance with Rule R.103-733 and R.103-533?

YES 9. Is the policy for customer denial or discontinuance of service in accordance with Rule R.103-735 and R.103-535?

YES 10. Are notices sent to customers prior to termination in accordance with Rule R.103-735 and R.103-535?

YES 11. Are notices filed with the Commission of any violation of PSC or DHEC rules which effect service provided to its customers in accordance with rule R.103-714-C and R.103-514-C?

BUSINESS OFFICE COMPLIANCE REVIEW REPORT (cont)

Page 2

YES 12. Does the utility have adequate means (Telephone, etc.) whereby each customer can contact the water and/or wastewater utility at all hours in cases of emergency or unscheduled interruptions or service in accordance with Rule R.103-730 and R.103-530?

YES 13. Are records kept of any condition resulting in any interruption of service affecting its entire system or major division, including a statement of time, duration, and cause of such an interruption in accordance with Rule R.103-714 and R.103-514?

YES 14. Has the utility advised the Commission, in accordance with Rule R.103-712 and R.103-512 of the name, title, address and telephone number of the person who should be contacted in connection with:

- (a) General management duties?
- (b) Customer relations (complaints)?
- (c) Engineering operations?
- (d) Meter tests and repairs?
- (e) Emergencies during non-office hours?

YES 15. Has the Company verified the maps on file with the Commission includes all the service area of the Company?

622 16. Number of customers the Company has at present.

YES 17. Does the Company have a current performance bond on file with the Commission? Amount of Bond \$50,000.

*A "NO" RESPONSE REQUIRES A NOTE IN THE COMMENT SECTION

COMMENTS:

UTILITIES DEPARTMENT EXHIBIT NO. 5

UTILITIES DEPARTMENT REVIEW OF SERVICE PROVIDED BY THE COMPANY

ON MAY 28, 2002, PERSONNEL FROM THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA STAFF AUDITED THE COMPANY'S BOOKS AND OPERATIONS IN PREPARATION FOR THE RATE CASE. THE COMPANY PROVIDES SERVICE TO APPROXIMATELY 622 WATER CUSTOMERS IN BERKELEY COUNTY, PINOPOLIS, SOUTH CAROLINA. THE CONSUMERS SERVICES DEPARTMENT HAS NOT RECEIVED ANY COMPLAINTS ON THE COMPANY AS FAR BACK AS THEY HAVE RECORDS FOR.

SINCE THE NOTICE OF FILING WAS MAILED TO THE COMPANY'S CUSTOMERS, STAFF HAS NOT RECEIVED ANY PROTESTANT LETTERS OR INTERVENTION BY ANY PARTY.

THE COMPANY PROVIDES ADEQUATE SERVICE TO ITS CUSTOMERS.

THE FOLLOWING PAGE IS THE INSPECTION REPORT OF THE WELL SITES. SOME OF THE WELL HOUSES ARE IN NEED OF PAINTING AND ROOF REPLACEMENT AND SEVERAL OF THE TANKS NEED PAINTING. THE SYSTEM OVERALL IS IN SATISFACTORY CONDITION. UPON INTERVIEWING SEVERAL OF THE RESIDENTS, THERE WERE NO COMPLAINTS ABOUT THE WATER SERVICE OR THE PROPOSED RATES.

UTILITIES DEPARTMENT EXHIBIT NO. 5 – PLANT INSPECTION

WATER SYSTEM INSPECTION

UTILITY	<u>A.D. Hare Waterworks</u>		INSPECTED BY	<u>William O. Richardson</u>	
SYSTEM	<u>Pinopolis, S.C.</u>		DATE INSPECTED	<u>5/28/02</u>	
			COMPANY REP	<u>Dan Hare</u>	
TOTAL NUMBER OF WELL SITES	<u>9</u>				
NUMBER OF WELLS NOT IN OPERATION	<u>2 - #2 & #7</u>				
REASON FOR INOPERABLE WELLS	<u>Stand-by mode - Not needed at present time</u>				
PUMP HOUSES	YES	<u>✓</u>	NO	<u>NUMBER 8</u>	
ELECTRIC WIRING	ACCEPTABLE	<u>✓</u>	FAULTY		
EXPOSED PIPING	YES		NO	<u>✓</u>	
LOCATION					
CHLORINATOR	YES		NO	<u>✓</u>	
OTHER CHEMICALS	YES		NO	<u>✓</u>	
IN USE	YES		NO		
STORAGE	PRESSURE TANK	<u>✓</u>	NON-PRESSURE TANK		
	GROUND LEVEL	<u>✓</u>	OVERHEAD		
SIZE IN GALLONS	1-5000	3-8500	4-1000	5-5000	6-5000
P.S.I. AT TANK	78	75	80	85	85
				87	86
METERS	YES	<u>✓</u>	NO		
FIRE HYDRANTS	YES		NO	<u>✓</u>	
AIR IN LINES	YES		NO	<u>✓</u>	
SAND IN WATER	YES		NO	<u>✓</u>	
CLARITY OF WATER	Clear				
ODOR	None				
LEAKS	YES		NO	<u>✓</u>	
LOCATION					
NEW CONSTRUCTION	YES	<u>✓</u>	NO		
HOUSES	YES	<u>✓</u>	NO		
UTILITY	YES		NO	<u>✓</u>	
NATURE	<u>Houses in Subdivision</u>				
FREQUENCY CHECKED BY OPERATOR	<u>Weekly</u>				
APPROXIMATE NUMBER OF CUSTOMERS	<u>622</u>		CAPACITY OF SYSTEM		
LOCATION OF UTILITY OFFICE	<u>Pinopolis, S.C.</u>				
LOCATION OF SYSTEM	<u>Same</u>				
SYSTEM APPROVED BY COMMISSION	YES	<u>✓</u>	NO	<u>DATE</u>	
IS SUBDIVISION PROVIDED SEWER BY THIS UTILITY?	YES		NO	<u>✓</u>	
	BY WHOM? <u>Septic tanks and Berkeley County</u>				
OTHER COMMENTS	<u>Several tanks need painting and well houses need repairs, roof work, painting, etc.</u>				